

**CHISHOLM TRAIL RECREATION COMMISSION  
CLEARWATER, KANSAS**

**FINANCIAL STATEMENT  
JUNE 30, 2012**

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**BUSBY FORD & REIMER, LLC**

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CERTIFIED PUBLIC ACCOUNTANTS

**CHISHOLM TRAIL RECREATION COMMISSION  
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JUNE 30, 2012**

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# BUSBY FORD & REIMER, LLC

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

### **Chisholm Trail Recreation Commission Clearwater, Kansas**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **Chisholm Trail Recreation Commission, Clearwater, Kansas**, as of and for the year ended **June 30, 2012**.

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

As described in Note 1 of the financial statement, the financial statement is prepared by **Chisholm Trail Recreation Commission, Clearwater, Kansas** to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

## Chisholm Trail Recreation Commission


The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the significance of the matter discussed in the preceding paragraph the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Chisholm Trail Recreation Commission, Clearwater, Kansas**, as of **June 30, 2012**, or the changes in its financial position and cash flows for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **Chisholm Trail Recreation Commission, Clearwater, Kansas**, as of **June 30, 2012**, and the aggregate cash receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget and individual fund schedules of cash receipts and expenditures-actual and budget (Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the regulatory financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole.

The 2011 Actual columns presented in the individual fund schedules of cash receipts and expenditures-actual and budget and schedule of cash receipts and disbursements-agency funds (Supplementary Information as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated February 6, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such statement to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statements as a whole.

  
Busby Ford & Reimer, LLC  
October 30, 2012

CHISHOLM TRAIL RECREATION COMMISSION  
SUMMARY OF CASH RECEIPTS, EXPENDITURES,  
AND UNENCUMBERED CASH  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add		Ending Cash Balance
						Outstanding Encumbrances and Accounts Payable		
General Fund	\$ 112,588	\$ 0	\$ 235,814	\$ 210,476	\$ 137,926	\$ 0	\$	\$ 137,926
Composition of Cash:								
					Checking and Money Market Certificates of Deposit		\$	137,926
								0
							\$	137,926

The notes to the financial statement are an integral part of this statement.

**CHISHOLM TRAIL RECREATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies:**

Financial Reporting Entity

**Chisholm Trail Recreation Commission, Clearwater, Kansas**, is a recreation commission established under State of Kansas statutes designed to provide recreational services in and around Clearwater, Kansas. The Commission is governed by an elected five-member Board. The Commission's financial statements include all funds over which the commission exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

**KMAAG Regulatory Basis of Presentation Fund Definitions:**

General Fund-The primary operating fund. Used to account for all unrestricted resources except those required to be accounted for in another fund.

Regulatory Basis of Accounting

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the regulatory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue, matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

**CHISHOLM TRAIL RECREATION COMMISSION  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2012**

Budget and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the Commission. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget at least ten days before the hearing.
2. Public hearing at least ten days after publication of notice of hearing and at least ten days before certification of the budget to the Commission.
3. Certification of the final budget to the Recreation Commission on or before August 1<sup>st</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budget was not amended during the year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

**Note 2 - Lease Commitment:**

In October, 2000, the Recreation Commission entered into an interlocal cooperation agreement with the City of Clearwater to make lease payments to the Kansas Public Building Commission for the construction and use of a public swimming pool facility in the City of Clearwater. The lease payments will be used to retire \$1,300,000 in revenue bonds over a twenty year period. Under the agreement the City has committed to making lease payments that will be at least sufficient to pay the principal and interest accruing on the Bonds. Upon full payment of the Bonds, it is anticipated the City will exercise an option to purchase the facility from the Kansas Public Building Commission. The Recreation Commission has agreed to assess a two mill ad valorem tax levy and remit an amount equal to the amount collected from the levy on or before April 1 and October 1 each year. During the year ended June 30, 2012, \$103,154 was collected and remitted. All amounts received had been disbursed through June 30, 2012.

**Note 3 - Prior Year Balances:**

Certain prior year balances are presented for comparison purposes. Certain items have been reclassified in the June 30, 2011, financial statements in order to conform to the June 30, 2012, presentation.

**CHISHOLM TRAIL RECREATION COMMISSION**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2012**

**Note 4 - Deposits:**

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2012.

At June 30, 2012, the Commission's carrying amount of deposits was \$137,926 and the bank balance was \$145,104. The bank balance is held by one bank. Of the bank balance, \$145,104 was covered by depository insurance.

**Note 5 - Reimbursed Expenses:**

The Commission records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

**Note 6 - Contingencies:**

Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

**Note 7 - Subsequent Events:**

The Commission has evaluated subsequent events through October 30, 2012, the date which the financial statements were available to be issued.



## **SUPPLEMENTARY INFORMATION**

CHISHOLM TRAIL RECREATION COMMISSION  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Adjustment to		Adjustment for		Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Favorable (Unfavorable)
	Comply with Legal Max	Qualifying Budget Credits					
General Fund	\$ 346,966	\$ 0	\$ 0	\$ 0	\$ 346,966	\$ 210,476	\$ 136,490

**CHISHOLM TRAIL RECREATION COMMISSION**  
**STATEMENT OF CASH RECEIPTS AND EXPENDITURES -**  
**ACTUAL AND BUDGET**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)**

<u>General Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year			
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Appropriations	\$ 175,988	\$ 211,938	\$ 340,000	\$ (128,062)
Interest	1,477	468	1,500	(1,032)
Fees and Other	31,911	23,086	20,000	3,086
Reimbursements	863	322	300	22
	<u>210,239</u>	<u>235,814</u>	<u>\$ 361,800</u>	<u>\$ (125,986)</u>
Expenditures	<u>274,466</u>	<u>210,476</u>	<u>\$ 346,966</u>	<u>\$ 136,490</u>
Receipts Over (Under) Expenditures	(64,227)	25,338		
Unencumbered Cash, Beginning	176,815	112,588		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 112,588</u>	<u>\$ 137,926</u>		